

**STATE OF WASHINGTON**
**OFFICE OF  
INSURANCE COMMISSIONER**
**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON**

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In the Matter of	)	No. D 99 - 37
STANDARD INSURANCE COMPANY,	)	CONSENT AND ORDER TO PAY FINE
An Authorized Insurer.	)	

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CONSENT TO ORDER

STANDARD INSURANCE COMPANY hereby consents to the payment of a fine in the sum of \$7,500 for its conduct of misapplying pertinent provisions of its insurance policy in violation of RCW 48.01.030. This is based on the following facts:

The insured, Carol Wade, is covered under group policy 441446-B which has an effective date of June 1, 1992. Ms. Wade became disabled on November 18, 1993. The definition of disability in the group policy as stated in 1992 reads:

You are Disabled if you meet one of the following definitions during the period it applies:

A. Own Occupation Definition of Disability; or

B. Any Occupation Definition of Disability.

Any Occupation Definition of Disability

During the Any Occupation Period you are required to be Disabled from all occupation.

You are Disabled from all occupation if, as a result of Sickness, Injury or Pregnancy, you are unable to earn more than the Any Occupation Income level in any gainful occupation for which you are reasonably fitted by education, training and experience.

In January 1996 this definition was amended. It now reads:

You are Disabled from all occupations if . . . you are unable to perform with reasonable continuity the material duties of any gainful occupation for which you are reasonably fitted by education, training, and experience.

This definition is much more restrictive than the previous one and in February 6, 1998, the insurer applied this definition to Ms. Wade thereby terminating her benefits.

This retroactive application is contrary to contract law and the insurance contract itself which provides:

Your right to receive LTD Benefits for a period of Disability which begins while you were insured will not be affected by:

.....

.....

3. Any amendment to the Group Policy approved after the date you become Disabled.

After intervention of an attorney on behalf of Ms. Wade and our office, benefits were reinstated on her behalf effective the date of the wrongful termination.

Based on the foregoing, STANDARD INSURANCE COMPANY, INC. does voluntarily consent to the following order with the understanding that such fine is in lieu of any suspension or revocation of its certificate of authority for such conduct pursuant to RCW 48.05.185.

STANDARD INSURANCE COMPANY further agrees to review its group disability insurance to assure there have been no other misapplications of the definition of disability resulting in wrongful denial of benefits.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 1999.

INSURANCE COMPANY, INC.

By

\_\_\_\_\_

An Authorized Representative

\_\_\_\_\_

Title

ORDER

Pursuant to RCW 48.05.185 and the foregoing Consent to Order, the Insurance Commissioner hereby imposes a fine in the amount of \$ 7,500 upon STANDARD INSURANCE COMPANY.

Such fine shall be paid in full within 30 days from the date of this Order. Upon failure to pay such fine, the commissioner will revoke the certificate of authority of the insurer, and the fine will be recoverable in a civil action brought on behalf of the Commissioner by the Attorney General.

STANDARD INSURANCE COMPANY further agrees to review its group disability insurance book to assure there have been no other misapplications of the definition of disability resulting in the wrongful termination of benefits. The results of such review will be reported to the Office of Insurance Commissioner within 60 days from the date of this Order.

ISSUED AT OLYMPIA, WASHINGTON, this \_\_\_\_ day of \_\_\_\_\_, 1999.

DEBORAH SENN

Insurance Commissioner

By

MARY M. COTTER

Enforcement Attorney